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Trade Policy Monitoring

Responses to European Commission Fruit and Vegetable Reform Proposal

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Report Highlights:

The following report outlines the responses and reactions of various EU-wide and member state-specific farm associations and EU member states to the European Commission's reform proposal for the fruit and vegetable sector. Overall, farm associations were supportive of the rationale behind the reform but are opposed to most of the specific outlined in the reform proposal. No part of the reform drew more criticism than incorporating the fruit and vegetable sector into the Single Payment Scheme. The majority of farm associations and member state governments oppose this decoupling of fruit and vegetable supports. Specific responses are hyperlinked at the end of this report by organization/member state.

Includes PSD Changes: No
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On January 24, the European Commission presented the [Proposal](#) of the reform for the fruit and vegetable sector. The reform will intend to bring the fruit and vegetable sector closer to the rest of the reformed Common Agricultural Policy guidelines.

The European Union aims to address the following concerns: improve the competitiveness and market orientation, reduce fluctuations in producers' income, increase fruit and vegetable consumption, endeavor to protect the environment, and simplify and reduce the administrative burden for all concerned.

Most of Member States and producers' associations agree on the situation analysis and the objectives to pursue. After studying different options to achieve the mentioned objectives, the European Commission selected a proposal that includes fruit and vegetable area in the Single Payment Scheme and maintains the producers' organizations, making them more attractive.

This report highlights the reactions and positions adopted by Member State governments and by different stakeholders with regard to different aspects of the reform proposal.

IMPROVING PO's ATTRACTIVENESS

Under the new proposal the Commission permits producers membership in more than one producer organization, permitting one organization for one product, including culinary herbs. Also, co-financing from the Commission would increase to 60 percent when the organizations are located in regions with low levels of organization, New Member States (NMS) or outermost regions. This level of co-financing will be also reached in the case of mergers of organizations and associations of producer organization for their 1st operational program. The proposal places a ceiling on the amount each producer organization can receive from the operational fund. This ceiling is set at 4.1 percent of value of the marketed product.

Generally, the effort of improving the attractiveness of producer organization has been welcomed by most of the Member States and organizations, even if producing countries advocate for raising the co-financing rate. However, some Member States take issue with the specifics of the reform. Member States with low participation rates in producer organizations criticize the proposal's strong link to producer organizations. The Hungarian government also pointed out the NMS budget limitations, stating that both ceilings of 60 percent and 4.1 percent are insufficient to boost the role of the Hungarian producer organization among producers. Most Member States would like the ceiling increased from 4.1 percent. Additionally, some Member States would like other products covered by the Common Market Organization, the regulatory structure that implements Common Agricultural Policy programs such as price supports and export refunds.

CRISIS MANAGEMENT

The crisis management tools outlined in the reform include Green harvesting, Non-harvesting; Harvest insurance; Promotion/communication in case of crises; Training; Administrative costs of setting-up of mutual funds; free distribution.

The new funding instrument would be channeled through producer organizations (50%-50% financing) and limited only to members of the producer organizations.

This new mechanism appears to replace the 100 percent EU paid withdrawals. Withdrawals could be carried out by producer organizations with 50 percent co-financing. Withdrawals for free distribution to schools, children's holiday camps, hospitals, charitable organizations, old

people's homes and penal institutions will be 100 percent paid by the Community up to a limit of 5 percent of the quantity of marketed production of each organization.

Member States believe that the proposed tools to manage crises are not flexible enough to the variety of the crises of the fruits and vegetable industry. They also ask for additional instruments to tackle crisis situations and would like alternatives to the current withdrawal system.

INCLUSION OF F&V AREAS IN THE SINGLE PAYMENT SCHEME

All fruit and vegetable areas will be eligible under the Single Payment scheme.

Subsequently, Member States will decide which producers will receive entitlements and the amount(s) corresponding to the entitlements.

Up till now the payments for fruit and vegetable production were included in the two Single Payment Schemes as follows:

A. Single Farm Payment Scheme (applies in 17 Member States): To receive payment under the Single Payment Scheme, a farmer has to have an entitlement (as determined by the Member State) and a corresponding hectare of eligible land.

1. In the regional model: areas with fruit and vegetables (except orchards) and table potato areas are eligible for the single payment but only up to the limit of the average areas in the 2000-2002 reference period.
2. In the historical model: all areas with fruit and vegetables and table potatoes are excluded from the Single Payment Scheme.

B. Single Area Payment Scheme (applies in 10 of the New Member States (not in Slovenia and Malta since January 1, 2007)). All fruit and vegetable areas (including orchards) and table potato areas are eligible for payments.

In the reform proposal: all agricultural area with fruit & vegetables including permanent crops and land under table potatoes eligible in all 27 Member States. The major difference is that now aid to processors is decoupled and the Single Farm Payment budget is increased to offset the additional enrollment that including fruit and vegetable production in all 27 Member States will bring.

Producing Member States have concerns with the decoupling of aid, mainly for flexible crops (those that can be eaten fresh or processed) like oranges and tomatoes.

Moreover, the new possibility to produce fruit and vegetables on areas eligible to Single Farm Payments has raised serious concerns of competitiveness for traditional producers.

NMS, such as Czech Republic and Hungary, disagree with the final financial distribution between Northern and Southern states, stating that Southern states will benefit more, given the underdevelopment of the NMS.

Major Opposition to Decoupling

Immediate reaction to the reform from both Spain's major Producer Organizations (PO) and Spanish Export Federation has been negative. The Small Farmer's Union (UPA), The Young Farmer's Association (ASAJA), Agricultural Cooperatives (CCAE), the Federation of Exporters of Fruits and Vegetables (FEPEX) have all raised their concerns with the EC proposal. They argue that decoupling will severely destabilize the market and will not alleviate the current

structural issues like those facing citrus producers. Others cite the failure of the proposal to address regulation of distribution practices.

French farmers' representatives are completely opposed to the decoupling for processed products and ask for the implementation of a compensation measure to prevent distorting effects.

The Spanish exporters completely agree. They question the future competitiveness of the sector given that some producers will be eligible for Single Farm Payments and others will not be.

In contrast, the National Farmers' Union for England and Wales support the proposal. England adopted the regional model for payments, and although Wales opted by the historic model, its fruit and vegetable production is not significant. In contrast, the National Farmers' Union of Scotland said that the proposals are a cause for real concern. Scotland adopted the historic model of allocating SFP entitlements, without support payments for fruit and vegetables. With the reform, existing holders of SFP entitlements would be able to claim them on land used to grow fruit and vegetables, creating unfair competition.

The German fruit and vegetable sector support the decoupling and the abolition of export refunds. However, the German Fruit and Vegetable Traders' Association (DFHV) opposes the financial assistance to producer organization who they view as competition. DFHV supports using the money to introduce a quality assurance scheme along the whole marketing chain.

ENVIRONMENTAL CONCERNS

The fruit and vegetable reform will do its bit through the cross compliance, which is compulsory within the Single Payment Scheme, and the environmental measures that producer organizations should include in their operational program's spending at least 20 percent of the fund on environmental measures. The operational program is a producer organization's strategic plan and is approved by the European Commission. Additionally, the EU will co-finance the 60 percent of organic production measures in the operational program.

This aspect was considered excessive by farmer associations, who do not estimate necessary the 20 percent of operational fund invested in environmental measures when the single payment scheme is already imposing the cross compliance.

PROMOTION and CONSUMPTION

The reform requires producer organizations to include in their operational programs actions to promote the consumption of fruit and vegetables targeted at young consumers. The EU will co-finance up to 60% of promotion programs towards school-age children and adolescents. Additionally, the EU will launch promotion programs focused on young people.

Most governments and farmers' associations agree with higher daily consumption recommendation, which will increase consumption (not production). Although some governments asked Europe to monitor what it spends on fruit and vegetable advertising to ensure it is having a positive effect and not being wasted.

TRADE WITH THIRD COUNTRIES

Regarding the trade with third countries, the main measure outlined in the reform proposal was the abolition of export refunds. The rest of the provisions related to trade with third

countries remain unchanged until the outcome of the WTO negotiations (entry prices, special safeguard clause, general safeguard clause).

Producing Member States are asking for the maintenance of the European Union trade preferences with fruit and vegetable exporters in the proposed reform.

BUDGET

The total amount that will be transferred to the Single Payment Scheme is about 800 million euros. The budget for producer organizations is currently about 700 million euros. It will increase gradually over the years according to the success of producer organizations. Currently, the yearly increase is 50 million euros.

The fruit and vegetable sector protests that fruit and vegetable budget represents only 3.1 percent of the EU agricultural budget, while it covers 17 percent of total EU agricultural production.

The following are hyperlinks to statements by several EU-wide and member state-specific farm associations. Also included are links to statements made by member states themselves.

Spanish government

[Elena Espinosa pide a la Presidencia y a la Comisión Europea mejoras en la propuesta de OCM de frutas y hortalizas](#)

French Government

[Réforme de l'OCM fruits et légumes : un projet qui manque d'ambition](#)

[Fruits et Légumes : le nouveau règlement européen n'est pas mûr](#)

German Associations

Federal Association of Fruits and Vegetable Producer Organisations (BEVO)

http://www.bveo.de/inhalte/RS-Anlagen/2007/BVEO_09_2007-1.pdf

German Farmers' Union (DBV)

http://www.bauernverband.de/pressemitteilung_3779.html

English/Welsh/Scotish position

<http://www.nfuonline.com/documents/Horticulture/ph008a0030iandareformoffruitandvegetableregime.doc>

http://www.nfus.org.uk/news_detail.asp?newsID=993

Hungarian Government

(<http://www.fvm.hu>)

COPA-COGECA

http://www.copa-cogeca.be/pdf/cdp_07_02_1e.pdf

FRESHFEL

The reform should provide a framework to foster cooperation among stakeholders and encourage consumption of fruit and vegetables which is today at best stagnating.

Tomato industry

Indústria: Associações europeias sector tomate juntas contra mudança nos apoios

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Related reports from USEU Brussels:

Report Number	Title	Date Released
E40002	Reforms of the EU Fruit & Vegetable Sector: Part 1 - Production and Marketing of EU Table Grapes	January 2007
E36133	EU safeguard trigger volume calculations for fruit and vegetables - revised data on apple import	October 2006
E36022	Bananas – WTO Update Report	February 2006
E36009	EU Import License System for Apples	January 2006
E35210	Second WTO award in the banana dispute	November 2005
E35206	EU Fruits & Vegetables Trade Statistics - CY 2004	October 2005
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